

P-407, 421, 520, 426, 430, 405, 427/CP-93-615 ORDER APPROVING COST STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
Tom Burton  
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Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition for Extended Area  
Service from the Mayer Exchange to the  
Minneapolis/St. Paul Metropolitan Calling  
Area

ISSUE DATE: September 27, 1994

DOCKET NO. P-407, 421, 520, 426, 430, 405,  
427/CP-93-615

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**PROCEDURAL HISTORY**

On July 6, 1993, the City of Mayer (Mayer) filed a petition requesting extended area service (EAS) to the Minneapolis/St. Paul Metropolitan Calling Area (the MCA). Mayer is served by GTE Minnesota (GTE). The MCA is served by US WEST, United Telephone Systems of the Midwest (United), Vista Telephone, Scott-Rice Telephone Company, and Eckles Telephone Company.

GTE and the telephone companies serving the MCA filed cost studies and proposed rates.<sup>1</sup> GTE also filed a proposed lower priced alternative to EAS.

On August 12 and 17, 1994, the Department of Public Service (the Department) filed reports and recommendations. The Department recommended approval of the proposed EAS rate additives for the Mayer exchange, with one modification to GTE's proposed allocations.

The matter came before the Commission for consideration on September 15, 1994.

**FINDINGS AND CONCLUSIONS**

**I. The Proposed Rate Additives for the Mayer Exchange**

GTE's proposed rate additives for subscribers in the Mayer exchange are:

Residence	\$27.35
Business	54.70

The Commission agrees with the Department that the proposed EAS rate additives are calculated correctly under the EAS statute, Minn. Stat. § 237.161, and should be approved.

**II. Revenue Apportionment among GTE Exchanges**

GTE serves not only the Mayer exchange, but also seven exchanges already in the MCA:

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<sup>1</sup> The cost studies included costs for Sherburne County Rural Telephone Company's Zimmerman exchange, which will be added to the MCA by the time the Mayer petition has been fully processed.

Mound, Maple Plain, St. Bonifacius, Scandia-Marine, Wyoming, Delano, and Lindstrom.

Of the seven GTE MCA exchanges, Mayer already has EAS to four: Delano, Mound, Maple Plain, and St. Bonifacius.

When EAS is sought to the MCA, the EAS statute requires that 75% of the cost of providing service be apportioned to the petitioning exchange. The remaining 25% of cost must be apportioned among the petitioned MCA exchanges.

In its filing GTE allocated the 25% of its costs among all seven of its existing MCA exchanges.

In its comments the Department argued that the 25% of GTE's costs should not be apportioned among GTE's exchanges which previously had EAS with Mayer. The Department noted that customers in these exchanges pay a separate rate additive for their EAS to Mayer and would continue to pay this rate additive even if EAS were approved in the current Mayer/MCA docket. The Department reasoned that the exchanges which already have EAS to Mayer should not share in the costs of the Mayer/MCA route because the subscribers in those exchanges are not causing any additional costs and would not receive any additional service from the Mayer petition.

The Commission agrees with the Department that in this case GTE should allocate the metro share of the EAS costs among the three exchanges which did not previously have EAS with Mayer.

The Commission is aware that this finding is contrary to its 1992 holding in the Lindstrom and Delano EAS dockets,<sup>2</sup> in which the Commission found that the Company's metro portion of the EAS rate additive should be apportioned among all existing MCA exchanges. Two and one half years experience in dealing with numerous EAS petitions have convinced the Commission that the EAS statute can accommodate different methods of allocation of the MCA additive, as long as the 25% statutory allocation requirement is maintained.

In the particular facts of this docket, the Commission agrees with the reasoning of the Department, particularly in light of the fact that Mayer is a very small exchange of approximately four hundred subscribers. In this case, little benefit accrues to the MCA as a whole as a result of the addition of the Mayer exchange. There is therefore little justification for spreading the rate additive among all GTE's existing MCA exchanges.

### **III. GTE's Lower Priced Alternative**

In its filings GTE included a lower priced alternative to EAS. GTE's plan for the Mayer exchange was the same as had been proposed and approved for the Lindstrom and Delano/MCA routes.

The lower priced alternative includes both a flat rate and a per minute rate. The rates are:

Residence	\$3.85 per month
Business	7.70 per month

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<sup>2</sup> In the Matter of the Petition of Certain Subscribers in the Lindstrom/Delano Exchange for Extended Area Service to the Minneapolis/St. Paul Metropolitan Calling Area, Docket Nos. P-407, 421/CP-86-526; P-407, 421/CP-87-219, ORDER REQUIRING REVISED LOWER COST ALTERNATIVE PROPOSAL, COST STUDIES AND PROPOSED RATES (April 10, 1992).

plus

\$0.25 per minute for calls from Mayer to the MCA. The per minute charge is reduced 50% to \$0.125 for calls between 10:00 P.M. and 8:00 P.M. The per minute charge will not be applied for calls from Mayer to the MCA exchanges to which Mayer already had EAS.

The Commission agrees with the Department that the Company's lower priced alternative is acceptable. The plan is the same as others which the Company has successfully employed in other exchanges.

### **ORDER**

1. The Commission approves the cost studies and proposed rates filed by the telephone companies in this proceeding, with one modification explained in the following paragraph. The rates for the MCA are attached as Appendix I.
2. GTE shall allocate its metro portion of the EAS rate additive among the three MCA exchanges which did not previously have EAS to Mayer. The resulting rate additives are as follows:

Residence	\$0.015
Business	0.030

3. Flat rate EAS additives for the Mayer/MCA EAS route are approved as follows:

Residence	\$27.35
Business	54.70

4. GTE's Community Plus Plan is approved as the lower priced alternative for the Mayer exchange.
5. GTE shall cooperate with Commission Staff and Commission contractors to provide a customer list (consisting of one deliverable address for each access line) and other information needed to poll the Mayer exchange.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)